RECENT CASES

BANKS & BANKING—BILLS AND NOTES—FUNDS OF DEBTOR—FAILURE TO APPLY—DISCHARGE OF SURETY.—TATUM V. COMMERCIAL BANK AND TRUST CO., 69 S. (ALA.) 508.—*Held,* a bank holding notes indorsed to it by the payee who was the principal debtor, of which it had knowledge, and which failed to apply payee's deposit after maturity of notes to their payment, thereby discharges the accommodation maker.

It is universally held that a bank *may* apply the amount credited to a depositor to a debt to it by such depositor, 1 Morse on Banks & Banking § 324. Decisions are conflicting as to whether the bank is duty bound to do so for protection of indorser or surety. The prevailing rule seems to be that a bank is not under obligations to appropriate a balance due to the maker in payment of the liability of a surety. *National Mahaiwe Bank v. Peck,* 127 Mass. 298; *Citizen's Bank v. Booze,* 75 Mo. App. 188. Another view treats the deposit as being security for the note and so holds that bank's permitting depositor to withdraw this, effects a discharge of the surety. *Burgess v. Deposit Bank,* 30 Ky. Law Rep. 177; *Commercial National Bank v. Henninger,* 105 Pa. 496. But this usually applies only where the deposit is to the credit of the party primarily liable on the note. *First National Bank v. Peltz,* 176 Pa. 513. This doctrine is further restricted in some of these jurisdictions by holding that failure of bank to appropriate funds placed there *after* maturity does not discharge surety. *National Bank of Newburgh v. Smith,* 66 N. Y. 271. This restriction, however, is not logical. The lien theory adopted by the principal case cannot be sustained because there is no property in the hands of bank belonging to the debtor to which the surety on paying can be subrogated. It should be observed that the principal case extends the security doctrine to protect the surety even where the depositor is an accommodated *payee.*

M. H. L.

BILLS AND NOTES—BONA FIDE PURCHASER—KNOWLEDGE OF DIRECTOR.—HARDIN ET AL. V. DALE ET AL., 146 PAC. (OKL.) 717.—A corporation, the payee of a note, had been notified that the consideration for which it was given had failed. Thereafter, before maturity and for value, the corporation transferred the note to one of its directors who had no actual knowledge of the fact. *Held,* the director was chargeable with notice and was not a purchaser in good faith.

In general, a corporation has imputed knowledge of all matters brought to the notice of its directors and officials. *Mutual Investment Co. v. Wildman,* 182 Ill. App. 137; *Arthur v. Harrington,* 211 Fed. 215. The converse of this doctrine, as regards banks, is thus laid down: "Whatever knowledge a director has or ought to have officially, he has or will be conclusively presumed to have as a private individual." *Morse, Banks & Banking,* § 137. See also *State Bank of Indiana v. Mentzler,* 125 Iowa 101; *McKarty v. Kepreta,* 139 N. W. (N. D.) 992 (*Spalding, C. J., and Bruce, J., dissenting*). A person will be held to have notice as an indi-